

TWIN CEDARS COMMUNITY SCHOOL DISTRICT
BUSSEY, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

June 30, 2004

Peak & Gerdes, LLP
Certified Public Accountants
1051 Office Park Road
West Des Moines, Iowa 50265

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Twin Cedars Community School District

Officials

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
<u>Board of Education</u> (Before September, 2003 Election)		
Steve Parker	President	2003
Dennis Miller	Vice-President	2004
Abby Mockenhaupt	Board Member	2005
Bonnie Courtney	Board Member	2004
Bob Mallory	Board Member	2005

<u>Board of Education</u> (After September, 2002 Election)		
Dennis Miller	President	2004
Bonnie Courtney	Vice-President	2004
Abby Mockenhaupt	Board Member	2005
Deb Haselhuhn	Board Member	2006
Bob Mallory	Board Member	2005

<u>School Officials</u>		
Brian Vandersluis	Superintendent	2004
Doris Herington*	District Secretary/ Treasurer/Business Manager	2004
Jim Heikens**	District Secretary/ Treasurer/Business Manager	2004
Belin, Lamson, McCormick, Zumbach, Flynn Attorney's At Law	Attorney	2004

* - Resigned in February, 2004.

** - Appointed in February, 2004.

Twin Cedars Community School District

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Twin Cedars Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Twin Cedars Community School District, Bussey, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Twin Cedars Community School District at June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U. S. generally accepted accounting principals.

As described in Note 10 to the financial statements, during the year ended June 30, 2004, Twin Cedars Community School District adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; Statement No. 41, Budgetary Comparison Schedule – Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, we have also issued our report dated October 8, 2004 on our consideration of Twin Cedars Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards, and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 16 and 41 through 43 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Twin Cedars Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Peak & Gerdes, LLP
Certified Public Accountants

October 8, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

Twin Cedars Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Because the District is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

2004 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$3,720,637 in fiscal 2003 to \$3,495,624 in fiscal 2004, and General Fund expenditures decreased from \$3,374,546 in fiscal 2003 to \$3,352,582 in fiscal 2004. The District's General Fund balance increased from \$205,709 in fiscal 2003 to \$352,352 in fiscal 2004, a 71.29% increase.
- The decrease in General Fund revenues was attributable to a decrease in property tax income and state and federal grant revenue in fiscal 2004. During the fiscal year, the State of Iowa did not pay approximately \$46,000 in state aid which had been budgeted and originally appropriated for us by the State. The decrease in expenditures was due to several factors including combining the administrative positions of elementary principal and superintendent into one, decreasing one district secretary position and by close scrutiny over district spending.
- A decline in interest rates during the past three fiscal years, combined with less cash available to be invested, resulted in interest earnings in the General Fund alone decreasing from \$30,022 in fiscal 2003 to \$8,951 in fiscal 2004.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Twin Cedars Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Twin Cedars Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Twin Cedars Community School District acts solely as an agent or custodian for the benefit of those outside of County government.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the non-major Governmental Funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Twin Cedars Community School District Annual Financial Report

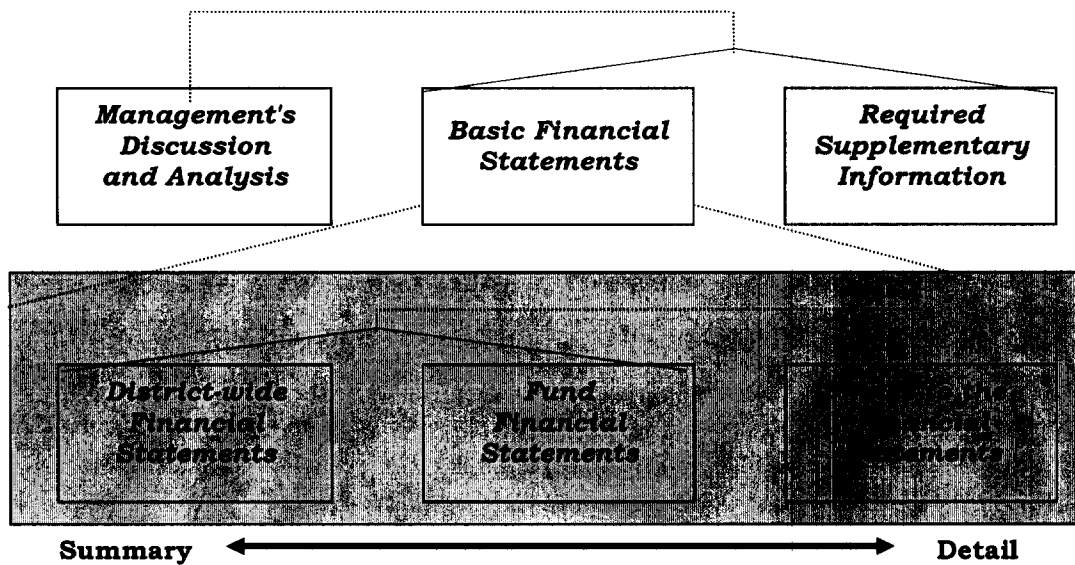


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or

decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2004.

Figure A-3 Combined Statement of Net Assets (Expressed in Thousands)			
	Governmental Activities	Business type Activities	Total District
	June 30, 2004	June 30, 2004	June 30, 2004
Current and other assets	\$ 3,171	\$ 39	\$ 3,210
Capital assets	1,810	18	1,828
Total assets	4,981	57	5,038
Long-term liabilities	683	8	691
Other liabilities	2,351	-	2,351
Total liabilities	3,034	8	3,042
Net assets			
Invested in capital assets			
net of related debt	1,196	18	1,214
Restricted	285	-	285
Unrestricted	466	31	497
Total net assets	\$ 1,947	\$ 49	\$ 1,996

The District's combined net assets increased by nearly 7.82 %, or approximately \$145,000 over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased approximately \$6,000, or 2% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$147,000, or 71.29% over the prior year.

Figure A-4 shows the change in net assets for the year ended June 30, 2004.

Figure A-4 Changes in Net Assets (Expressed in Thousands)			
	Governmental Activities	Business type Activities	Total District
Revenues:			
Program revenues:			
Charges for service	\$ 510	97	607
Operating grants, contributions and restricted interest	536	91	627
Capital grants, contributions and restricted interest	1	-	1
General revenues:			
Property tax	1,108	-	1,108
Local option sales and services tax	36	-	36
Income surtax	62	-	62
Unrestricted state grants	1,568	-	1,568
Unrestricted investment earnings	14	-	14
Other	7	-	7
Total revenues	<u>3,842</u>	<u>188</u>	<u>4,030</u>
Program expenses:			
Governmental activities:			
Instruction	2,358	-	2,358
Support services	1,065	-	1,065
Non-instructional programs	1	198	199
Other expenses	264	-	264
Total expenses	<u>3,688</u>	<u>198</u>	<u>3,886</u>
Change in net assets	<u>\$ 154</u>	<u>(10)</u>	<u>144</u>

Property tax and unrestricted state grants account for 66% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 88% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$3,819,848 and expenses were \$3,703,520. In a difficult budget year, the District was able to balance the budget by closely monitoring spending.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities
(Expressed in Thousands)

	Total Cost of Services	Net Cost of Services
Instruction	\$ 2,359	1,464
Support services	1,065	1,063
Non-instructional programs	1	(16)
Other expenses	264	130
Totals	\$ 3,689	2,641

- The cost financed by users of the District's programs was \$510,112.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$536,425.
- The net cost of governmental activities was financed with \$1,206,483 in property and other taxes and \$1,567,650 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$188,221 and expenses were \$197,897. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service and federal and state reimbursements.

INDIVIDUAL FUND ANALYSIS

As previously noted, Twin Cedars Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$745,488 a 19.17 % increase over last year's ending fund balances of \$625,559.

Governmental Fund Highlights

- The District's General Fund financial position is the result of many factors. We have attempted to offset the decrease in revenues by decreasing the expenditures. The staff and Administration have worked hard to keep costs to a minimum while still offering our students the best education possible. The District eliminated one full time administrative position and eliminated one full time secretary position.
- The General Fund balance increased 71.29% from \$205,709 to \$352,352, due to close scrutiny of the district finances and in spite of the reduction in state aid and existing expenditure commitments of the District.

- The Physical Plant and Equipment Levy (PPEL) Fund balance decreased by \$24,841 from fiscal 2003 to fiscal 2004. While revenues remained approximately the same, the District substantially increased spending from the PPEL Fund in order to purchase a bus.
- The Debt Service Fund Balance is down \$57,232 due to the district not levying as much tax as it had in the past, opting to use some of the existing fund balance.
- The Capital Projects Fund balance increased \$36,794 due to the Mahaska County Local Option Sales Tax revenue.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$58,204 at June 30, 2003 to \$48,528 at June 30, 2004, representing a decrease of approximately 17%. For fiscal 2005, the District increased meal prices, resulting in a hopeful increase in net assets. The District has worked hard to not stockpile supplies and to be efficient in the preparation and serving of the food. We hope through the use of better purchasing practices we are able to keep the costs down.

BUDGETARY HIGHLIGHTS

Over the course of the year, Twin Cedars Community School District did not amend its annual budget.

The District's receipts were \$57,103 more than budgeted receipts, a variance of 1.4%. The most significant variance resulted from the District receiving less in state aid than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, the District had invested \$1.8 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 2% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$107,543.

The original cost of the District's capital assets was \$4.1 million. Governmental funds account for \$4.0 million, with the remainder of \$0.1 million accounted for in the Proprietary, School Nutrition Fund.

Figure A-6
Capital Assets, net of Depreciation
(Expressed in Thousands)

	Governmental Activities	Business type Activities	Total District
	June 30, 2004	June 30, 2004	June 30, 2004
Land	\$ 22	-	22
Buildings	1,610	-	1,610
Improvements other than buildings	5	-	5
Furniture and equipment	173	18	191
Totals	<u>\$ 1,810</u>	<u>18</u>	<u>1,828</u>

Long-Term Debt

At June 30, 2004, the District had \$682,796 in general obligation bonds and contract payable debt outstanding. This represents a decrease of approximately 8% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

Figure A-7
Outstanding Long-term Obligations
(Expressed in Thousands)

	Governmental Activities
	June 30, 2004
General obligation bonds	\$ 630
Contract payable	53
Totals	<u>\$ 683</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Marion County has advised the District that the District's total taxable valuation will decrease for the 2004-05 year and for the 2005-06 school year. Mahaska County taxable valuation decreased in 2004-05 but increased slightly for 2005-06.
- The District has experienced declining enrollment for the past two years, and the District expects a significant decrease in enrollment due to a small pre-school class to be kindergarten in August 2005 and a larger senior class graduating in May 2005.
- The District has evaluated the condition of its transportation vehicles and determined, due to safety precautions, one bus must be replaced during fiscal 2005 at a cost of \$54,000. To pay for this bus, the District will use resources from the PPEL Fund.
- The District has taken measures to maintain the current facilities. Both large elementary playground surfaces were replaced in August 2004 as well as refurbishing of the high school gym, fixing the roofs on both the elementary and high school buildings, and making some significant equipment purchases for the custodial staff and nutrition program. Proceeds for these improvements have come from Local Option Sales Tax, PPEL Funds, and the District's Nutrition Fund.
- The District is planning on an extensive heating, air conditioning and ventilation project for FY 2005 and FY 2006. The proceeds for this project will come from Local Option Sales Tax funds.
- Fiscal 2004 negotiations with the Twin Cedars Education Association for the 2004-05 school year took more money than the new monies received by the Twin Cedars Community School District. The District will negotiate a new agreement during fiscal 2005 for the 2005-2006 school year. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Brian VanderSluis, Superintendent, Twin Cedars Community School District, 2204 HWY G71, Bussey, Iowa 50044.

Basic Financial Statements

Twin Cedars Community School District

Exhibit A

Statement of Net Assets

June 30, 2004

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents:			
ISCAP	\$ 867,264	-	867,264
Other	1,051,795	21,978	1,073,773
Prepaid asset	-	1,150	1,150
Receivables:			
Property tax:			
Delinquent	24,828	-	24,828
Succeeding year	1,097,822	-	1,097,822
Accrued interest:			
ISCAP	2,333	-	2,333
Other	449	-	449
Due from other governments	127,008	-	127,008
Inventories	-	15,448	15,448
Capital assets, net of accumulated depreciation	1,809,481	18,111	1,827,592
Total assets	4,980,980	56,687	5,037,667
Liabilities			
Accounts payable	26,449	-	26,449
Salaries and benefits payable	341,491	8,159	349,650
Other liabilities	14,558	-	14,558
Accrued interest payable	4,727	-	4,727
Deferred revenue:			
Succeeding year property tax	1,097,822	-	1,097,822
ISCAP warrants payable	862,000	-	862,000
ISCAP accrued interest payable	3,538	-	3,538
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	50,000	-	50,000
Contract payable	2,043	-	2,043
Portion due after one year:			
General obligation bonds payable	580,000	-	580,000
Contract payable	50,753	-	50,753
Total liabilities	3,033,381	8,159	3,041,540
Net assets			
Invested in capital assets, net of related debt	1,195,178	18,111	1,213,289
Restricted for:			
Management levy	35,970	-	35,970
Physical plant and equipment levy	221,027	-	221,027
Other special revenue purposes	27,506	-	27,506
Unrestricted	467,918	30,417	498,335
Total net assets	\$ 1,947,599	48,528	1,996,127

See notes to financial statements.

Twin Cedars Community School District

Statement of Activities

Year ended June 30, 2004

Functions / Programs	Expenses	Program Revenues		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Instruction:				
Regular instruction	\$ 1,535,124	345,028	191,442	-
Special instruction	406,274	15,295	187,706	-
Other instruction	416,960	132,934	21,901	-
	<u>2,358,358</u>	<u>493,257</u>	<u>401,049</u>	<u>-</u>
Support services:				
Student services	100,183	-	-	-
Instructional staff services	70,516	-	-	-
Administration services	405,059	-	-	-
Operation and maintenance of plant services	249,025	-	-	-
Transportation services	240,196	-	1,970	-
	<u>1,064,979</u>	<u>-</u>	<u>1,970</u>	<u>-</u>
Non-instructional programs	<u>782</u>	<u>16,855</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	34,306	-	-	847
Long-term debt interest	30,756	-	1,771	-
AEA flowthrough	131,635	-	131,635	-
Depreciation (unallocated)*	67,312	-	-	-
	<u>264,009</u>	<u>-</u>	<u>133,406</u>	<u>847</u>
Total governmental activities	<u>3,688,128</u>	<u>510,112</u>	<u>536,425</u>	<u>847</u>
Business type activities:				
Non-instructional programs:				
Food service operations	<u>197,897</u>	<u>96,938</u>	<u>90,698</u>	<u>-</u>
Total	<u>\$ 3,886,025</u>	<u>607,050</u>	<u>627,123</u>	<u>847</u>

General Revenues:

Property tax levied for:
 General purposes
 Debt service
 Capital outlay
Local option sales and services tax
Income surtax
Unrestricted state grants
Unrestricted investment earnings
Other

Total general revenues

Change in net assets

Net assets beginning of year, as restated

Net assets end of year

* This amount excludes the depreciation that is included in the direct expenses of the various programs

See notes to financial statements.

Exhibit B

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activities	Total
(998,654)	-	(998,654)
(203,273)	-	(203,273)
(262,125)	-	(262,125)
(1,464,052)	-	(1,464,052)
(100,183)	-	(100,183)
(70,516)	-	(70,516)
(405,059)	-	(405,059)
(249,025)	-	(249,025)
(238,226)	-	(238,226)
(1,063,009)	-	(1,063,009)
16,073	-	16,073
(33,459)	-	(33,459)
(28,985)	-	(28,985)
-	-	-
(67,312)	-	(67,312)
(129,756)	-	(129,756)
(2,640,744)	-	(2,640,744)
-	(10,261)	(10,261)
(2,640,744)	(10,261)	(2,651,005)
\$ 1,035,340	-	1,035,340
18,169	-	18,169
54,079	-	54,079
35,945	-	35,945
62,950	-	62,950
1,567,650	-	1,567,650
14,298	585	14,883
6,779	-	6,779
2,795,210	585	2,795,795
154,466	(9,676)	144,790
1,793,133	58,204	1,851,337
\$ 1,947,599	48,528	1,996,127

Twin Cedars Community School District

Exhibit C

Balance Sheet
Governmental Funds

June 30, 2004

	General	Nonmajor Governmental Funds	Total
Assets			
Cash and pooled investments:			
ISCAP	\$ 867,264	-	867,264
Other	660,182	391,613	1,051,795
Receivables:			
Property tax:			
Delinquent	22,086	2,742	24,828
Succeeding year	952,220	145,602	1,097,822
Accrued interest:			
ISCAP	2,333	-	2,333
Other	333	116	449
Due from other governments	101,383	25,625	127,008
Total assets	\$ 2,605,801	565,698	3,171,499
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 20,132	6,317	26,449
Salaries and benefits payable	341,491	-	341,491
Other liabilities	14,558	-	14,558
ISCAP warrants payable	862,000	-	862,000
ISCAP accrued interest payable	3,538	-	3,538
Deferred revenue:			
Succeeding year property tax	952,220	145,602	1,097,822
Other	59,510	20,643	80,153
Total liabilities	2,253,449	172,562	2,426,011
Fund balances:			
Reserved for debt service	-	40,140	40,140
Unreserved	352,352	352,996	705,348
Total fund balances	352,352	393,136	745,488
Total liabilities and fund balances	\$ 2,605,801	565,698	3,171,499

See notes to financial statements.

Twin Cedars Community School District

Exhibit D

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2004

Total fund balances of governmental funds (page 21)	\$ 745,488
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***Amounts reported for governmental activities in the
Statement of Net Assets are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	1,809,481
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Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	80,153
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Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(4,727)
--	---------

Long-term liabilities, including bonds payable and capitalized lease obligations are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(682,796)</u>
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Net assets of governmental activities (page 18)	<u><u>\$ 1,947,599</u></u>
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See notes to financial statements.

Twin Cedars Community School District

Exhibit E

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2004

	General	Nonmajor Governmental Funds	Total
Revenues:			
Local sources:			
Local tax	\$ 1,026,801	178,759	1,205,560
Tuition	363,672	-	363,672
Other	26,350	139,826	166,176
Intermediate sources	3,677	-	3,677
State sources	1,894,253	5,639	1,899,892
Federal sources	180,871	-	180,871
Total revenues	<u>3,495,624</u>	<u>324,224</u>	<u>3,819,848</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	1,525,386	9,738	1,535,124
Special instruction	404,707	1,567	406,274
Other instruction	300,484	116,476	416,960
	<u>2,230,577</u>	<u>127,781</u>	<u>2,358,358</u>
Support services:			
Student services	99,130	297	99,427
Instructional staff services	70,197	319	70,516
Administration services	403,769	1,290	405,059
Operation and maintenance of plant services	205,633	47,102	252,735
Transportation services	211,641	65,417	277,058
	<u>990,370</u>	<u>114,425</u>	<u>1,104,795</u>
Non-instructional programs	<u>-</u>	<u>782</u>	<u>782</u>
Other expenditures:			
Facilities acquisition	-	29,941	29,941
Long-term debt:			
Principal	-	46,946	46,946
Interest and fiscal charges	-	31,063	31,063
AEA flowthrough	131,635	-	131,635
	<u>131,635</u>	<u>107,950</u>	<u>239,585</u>
Total expenditures	<u>3,352,582</u>	<u>350,938</u>	<u>3,703,520</u>
Excess (deficiency) of revenues over (under) expenditures	<u>143,042</u>	<u>(26,714)</u>	<u>116,328</u>
Other financing sources (uses):			
Sale of real estate	3,601	-	3,601
Total other financing sources (uses)	<u>3,601</u>	<u>-</u>	<u>3,601</u>
Net change in fund balances	146,643	(26,714)	119,929
Fund balances beginning of year	<u>205,709</u>	<u>419,850</u>	<u>625,559</u>
Fund balances end of year	<u>\$ 352,352</u>	<u>393,136</u>	<u>745,488</u>

See notes to financial statements.

Twin Cedars Community School District

Exhibit F

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2004

Net change in fund balances - total governmental funds (page 23) **\$ 119,929**

***Amounts reported for governmental activities in the
Statement of Activities are different because:***

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 73,571	
Depreciation expense	<u>(105,432)</u>	(31,861)

Income surtax is not collected until several months after year end is not considered available revenue and is deferred in the governmental funds.	921
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Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues, as follows:

Issued	-	
Repaid	<u>46,946</u>	46,946

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.	307
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Certain revenues not collected until several months after year end is not considered available revenue and is deferred in the governmental funds.	<u>18,224</u>
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Change in net assets of governmental activities (page 20) **\$ 154,466**

See notes to financial statements.

Twin Cedars Community School District

Exhibit G

Statement of Net Assets
Proprietary Fund

June 30, 2004

	<u>School Nutrition</u>
Assets	
Cash and cash equivalents	\$ 21,978
Prepaid asset	1,150
Inventories	15,448
Capital assets, net of accumulated depreciation	<u>18,111</u>
Total assets	<u>56,687</u>
Liabilities	
Due to other funds	<u>8,159</u>
Total liabilities	<u>8,159</u>
Net Assets	
Invested in capital assets, net of related debt	18,111
Unrestricted	<u>30,417</u>
Total net assets	<u><u>\$ 48,528</u></u>

See notes to financial statements.

Twin Cedars Community School District

Exhibit H

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund

Year ended June 30, 2004

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	<u>\$ 96,938</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	103,154
Benefits	13,979
Supplies	3,601
Property	75,052
Depreciation	2,111
Total operating expenses	<u>197,897</u>
Operating loss	<u>(100,959)</u>
Non-operating revenues:	
State sources	2,800
Federal sources	87,898
Interest income	585
Total non-operating revenues	<u>91,283</u>
Change in net assets	(9,676)
Net assets beginning of year	<u>58,204</u>
Net assets end of year	<u><u>\$ 48,528</u></u>

See notes to financial statements.

Twin Cedars Community School District

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2004

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 96,938
Cash paid to employees for services	(108,974)
Cash paid to suppliers for goods and services	(61,550)
Net cash used by operating activities	<u>(73,586)</u>
Cash flows from non-capital financing activities:	
State grants received	2,800
Federal grants received	69,879
Net cash provided by non-capital financing activities	<u>72,679</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(2,594)
Net cash used by capital and related financing activities	<u>(2,594)</u>
Cash flows from investing activities:	
Interest on investments	<u>585</u>
Net decrease in cash and cash equivalents	(2,916)
Cash and cash equivalents beginning of year	24,894
Cash and cash equivalents end of year	<u><u>\$ 21,978</u></u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (100,959)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	18,019
Depreciation	2,111
Decrease in inventories	234
(Increase) in prepaid assets	(1,150)
Increase in salaries and benefits payable	8,159
Net cash used by operating activities	<u><u>\$ (73,586)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2004, the District received \$18,019 of federal commodities.

See notes to financial statements.

Twin Cedars Community School District

Notes to Financial Statements

June 30, 2004

(1) Summary of Significant Accounting Policies

Twin Cedars Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the predominate agricultural territory of Marion and Mahaska Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Twin Cedars Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Twin Cedars Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Marion County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental fund:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities, and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in Governmental Funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 1/2% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2003.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds be recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in applicable government or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, as well as property tax receivable, and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated

commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$775,619 pursuant to Rule 2a-7 under the Investment Company Act of 1940. Governmental Accounting Standards Board Statement No. 3 requires investments to be categorized to give an indication of the level of risk assumed by the District at year end. The District's investment in the Iowa Schools Joint Investment Trust is not subject to risk categorization.

(3) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. N.A. is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2004 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2003-04B	1/30/2004	1/28/2005	\$ 428,901	2,333	426,000	3,538
2004-05A	6/30/2004	6/30/2005	438,363	-	436,000	-
Total			<u>\$ 867,264</u>	<u>2,333</u>	<u>862,000</u>	<u>3,538</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. There was no ISCAP advance activity in the General Fund for the year ended June 30, 2004.

The warrants bear an interest rate and the available proceeds of the warrants are invested at an interest rate as shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2003-04A	2.000%	2.603%
2003-04B	2.000%	1.392%
2004-05A	3.000%	2.463%

(4) Capital Assets

Capital assets activity for the year ended June 30, 2004 was as follows:

	Balance Beginning of Year, as restated (note 10)	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 22,375	-	-	22,375
Construction in progress	-	-	-	-
Total capital assets not being depreciated	22,375	-	-	22,375
Capital assets being depreciated:				
Buildings	3,365,600	-	-	3,365,600
Improvements other than buildings	101,676	-	-	101,676
Furniture and equipment	545,780	73,570	(58,630)	560,720
Total capital assets being depreciated	4,013,056	73,570	(58,630)	4,027,996
Less accumulated depreciation for:				
Buildings	1,688,673	67,312	-	1,755,985
Improvements other than buildings	92,429	4,365	-	96,794
Furniture and equipment	412,986	33,755	(58,630)	388,111
Total accumulated depreciation	2,194,088	105,432	(58,630)	2,240,890
Total capital assets being depreciated, net	1,818,968	(31,862)	-	1,787,106
Governmental activities capital assets, net	\$ 1,841,343	(31,862)	-	1,809,481

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Furniture and equipment	\$ 23,285	2,594	-	25,879
Less accumulated depreciation	5,657	2,111	-	7,768
Business type activities capital assets, net	\$ 17,628	483	-	18,111

Depreciation expense was charged to the following functions:

Governmental activities:

Support services:

Student services	\$ 756
Operation and maintenance of plant	6,972
Transportation	30,392
	<u>38,120</u>

Unallocated	<u>67,312</u>
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Total depreciation expense - governmental activities	<u>\$ 105,432</u>
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Business type activities:

Food service operations	<u>\$ 2,111</u>
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(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2004 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 675,000	-	45,000	630,000	50,000
Contract payable	54,742	-	1,946	52,796	2,043
Compensated absences	8,718	-	8,718	-	-
Total	<u>\$ 738,460</u>	<u>-</u>	<u>55,664</u>	<u>682,796</u>	<u>52,043</u>

General Obligation Bonds Payable

Details of the District's June 30, 2004 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Bond Issue of November 1, 1998		
	Interest Rates	Principal	Interest
2005	4.10%	\$ 50,000	27,040
2006	4.10%	55,000	24,990
2007	4.15%	55,000	22,735
2008	4.20%	60,000	20,453
2009	4.25%	60,000	17,932
2010-2014	4.30-4.50%	350,000	47,851
Total		<u>\$ 630,000</u>	<u>161,001</u>

Contract Payable

The District has entered into a contract to repay the City of Bussey for the cost of the construction of water mains for the School District. The annual payments are in the amount of \$4,683, which includes interest computed at 5%, and are payable on June 1. Details of the District's June 30, 2004 contract payable are as follows:

Year Ending June 30,	Principal	Interest	Total
2005	\$ 2,043	2,640	4,683
2006	2,145	2,538	4,683
2007	2,253	2,430	4,683
2008	2,365	2,318	4,683
2009	2,483	2,200	4,683
2010 and thereafter	41,507	14,689	56,196
Total	\$ 52,796	26,815	79,611

(6) Operating Lease

The District has entered into an operating lease for three copy machines at \$1,393 per month. Future minimum lease payments in relation to these leases are as follows:

Year Ended June 30,	Amount
2005	\$ 16,721
2006	16,721
2007	16,721
2008	8,741
2009	3,570
	<u>\$ 62,474</u>

During the fiscal year, payments made under these lease agreements were \$14,963.

(7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2004, 2003 and 2002. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$113,720, \$120,999 and \$121,841, respectively, equal to the required contributions for each year.

(8) Risk Management

The District is a member in the Iowa School Employees Benefits Association, an Iowa Code Chapter 28E organization. The Iowa School Employees Benefits Association (the Association) is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed in July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, dental, vision and prescription drugs.

Each member's contributions to the Association funds current operations and provides capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, ISEBA's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency on capital.

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2004 were \$266,390.

Payments for participating members are the sole source of paying claims and establishing reserves for the ISEBA self-funded programs. Stop loss insurance is purchased by the Association to protect against large claims, but the potential exists for claims to exceed the premium payments made by members into the program. In the event that claims exceed premiums and reserves, an assessment may be necessary to pay claims and replenish reserves in the program.

The District does not report a liability for losses in excess of stop loss insurance unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2004, no liability has been recorded in the District's financial statements. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance company coverage.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior written notice may withdraw. The Association will pay claims incurred before termination date.

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$131,635 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Accounting Change and Restatements

Governmental Accounting Standards Board Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, was implemented for the year ended June 30, 2004. The interpretation modifies when compensated absence and early retirement liabilities are recorded under the modified accrual basis of accounting.

The Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the District’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements separate the District’s programs between governmental and business type activities. The beginning net assets for governmental activities has been restated to include capital assets, long-term liabilities and the changes in assets and liabilities at July 1, 2003 caused by the conversion to the accrual basis of accounting.

The effects of the accounting change and other restatements in the governmental activities are summarized as follows:

	Fund		
	General	Nonmajor Governmental Funds	Total
Net assets June 30, 2003, as previously reported	\$ 205,709	419,850	625,559
GASB 34 adjustments:			
Capital assets, net of accumulated depreciation of \$2,194,088			1,841,343
Long-term liabilities:			
General obligation bonds		675,000	
Early retirement		<u>54,742</u>	(729,742)
Accrued interest payable			(5,035)
Deferred revenue			<u>61,008</u>
Net assets July 1, 2003, as restated			<u>\$ 1,793,133</u>

Twin Cedars Community School District

Required Supplementary Information

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Twin Cedars Community School District

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances -
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2004

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budget Amounts Original	Final to Actual Variance
Receipts:					
Local sources	\$ 1,742,489	97,523	1,840,012	1,827,406	12,606
Intermediate sources	3,677	-	3,677	-	3,677
State sources	1,922,764	2,800	1,925,564	1,991,494	(65,930)
Federal sources	180,871	69,879	250,750	144,000	106,750
Total receipts	3,849,801	170,202	4,020,003	3,962,900	57,103
Disbursements:					
Instruction	2,338,190	-	2,338,190	2,530,000	191,810
Support services	1,102,049	-	1,102,049	1,110,000	7,951
Non-instructional programs	782	173,118	173,900	220,500	46,600
Other expenditures	240,398	-	240,398	326,093	85,695
Total disbursements	3,681,419	173,118	3,854,537	4,186,593	332,056
Excess (deficiency) of receipts over (under) disbursements	168,382	(2,916)	165,466	(223,693)	389,159
Other financing sources, net	3,601	-	3,601	-	3,601
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	171,983	(2,916)	169,067	(223,693)	392,760
Balances beginning of year	879,812	24,894	904,706	735,701	169,005
Balances end of year	\$ 1,051,795	21,978	1,073,773	512,008	561,765

See accompanying independent auditor's report.

Twin Cedars Community School District

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2004

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 3,849,801	(29,953)	3,819,848
Expenditures	3,681,419	22,101	3,703,520
Net	168,382	(52,054)	116,328
Other financing sources, net	3,601	-	3,601
Beginning fund balances	879,812	(254,253)	625,559
Ending fund balances	\$ 1,051,795	(306,307)	745,488

	Proprietary Fund		
	Enterprise		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 170,202	18,019	188,221
Expenses	173,118	24,779	197,897
Net	(2,916)	(6,760)	(9,676)
Beginning net assets	24,894	33,310	58,204
Ending net assets	\$ 21,978	26,550	48,528

See accompanying independent auditor's report.

Twin Cedars Community School District

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2004

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District did not adopt a budget amendment.

Other Supplementary Information

Twin Cedars Community School District

Schedule 1

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2004

	Special Revenue					Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Capital Projects	Debt Service	
Assets						
Cash and pooled investments	\$ 34,847	27,506	226,016	63,511	39,733	391,613
Receivables:						
Property tax:						
Delinquent	1,123	-	1,212	-	407	2,742
Succeeding year	60,000	-	23,562	-	62,040	145,602
Accrued interest	-	-	116	-	-	116
Due from other governments	-	-	20,643	4,982	-	25,625
Total assets	\$ 95,970	27,506	271,549	68,493	102,180	565,698
Liabilities and Fund Equity						
Liabilities:						
Accounts payable	\$ -	-	6,317	-	-	6,317
Deferred revenue:						
Succeeding year property tax	60,000	-	23,562	-	62,040	145,602
Other	-	-	20,643	-	-	20,643
Total liabilities	60,000	-	50,522	-	62,040	172,562
Fund equity:						
Reserved for debt service	-	-	-	-	40,140	40,140
Unreserved fund balances	35,970	27,506	221,027	68,493	-	352,996
Total fund equity	35,970	27,506	221,027	68,493	40,140	393,136
Total liabilities and fund equity	\$ 95,970	27,506	271,549	68,493	102,180	565,698

See accompanying independent auditor's report.

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2004

	Special Revenue					Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Capital Projects	Debt Service	
Revenues:						
Local sources:						
Local tax	\$ 50,098	-	74,547	35,945	18,169	178,759
Other	588	133,322	3,296	849	1,771	139,826
State sources	2,309	-	2,493	-	837	5,639
Total revenues	52,995	133,322	80,336	36,794	20,777	324,224
Expenditures						
Current:						
Instruction:						
Regular instruction	8,898	-	840	-	-	9,738
Special instruction	1,567	-	-	-	-	1,567
Other instruction	1,226	115,250	-	-	-	116,476
Support services:						
Student services	297	-	-	-	-	297
Instructional staff services	319	-	-	-	-	319
Administration services	1,290	-	-	-	-	1,290
Operation and maintenance of plant services	27,286	-	19,816	-	-	47,102
Transportation services	10,837	-	54,580	-	-	65,417
Non-instructional programs:						
Food service operations	782	-	-	-	-	782
Other expenditures:						
Facilities acquisition	-	-	29,941	-	-	29,941
Long-term debt:						
Principal	-	-	-	-	46,946	46,946
Interest and fiscal charges	-	-	-	-	31,063	31,063
Total expenditures	52,502	115,250	105,177	-	78,009	350,938
Excess (deficiency) of revenues over (under) expenditures	493	18,072	(24,841)	36,794	(57,232)	(26,714)
Fund balances beginning of year	35,477	9,434	245,868	31,699	97,372	419,850
Fund balances end of year	\$ 35,970	27,506	221,027	68,493	40,140	393,136

See accompanying independent auditor's report.

Twin Cedars Community School District

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2004

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
H.S. Tag/Epic	\$ 662	346	159	849
Biology	1,136	-	-	1,136
Honor Society	(120)	520	400	-
Athletics	(2,750)	63,984	54,632	6,602
Pep Club	586	1,167	1,405	348
Yearbook	(1,063)	9,139	7,376	700
FFA	-	22,204	21,514	690
H.S. Student Council	60	925	943	42
Elem. Student Council	2,611	5,683	3,381	4,913
Class of 2004	4,131	6,133	10,264	-
Class of 2005	3,618	9,763	8,180	5,201
Class of 2006	392	3,994	1,226	3,160
Class of 2007	66	834	33	867
Class of 2008	-	1,818	1,098	720
Class of 2009	-	810	525	285
Art	70	711	568	213
Cheerleaders	35	2,708	2,335	408
Drill Team	-	2,583	1,211	1,372
Total	\$ 9,434	133,322	115,250	27,506

See accompanying independent auditor's report.

Twin Cedars Community School District

Schedule 4

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Two Years

	Modified Accrual Basis	
	2004	2003
Revenues:		
Local sources:		
Local tax	\$ 1,205,560	1,162,609
Tuition	363,672	381,148
Other	166,176	213,114
Intermediate sources	3,677	1,004
State sources	1,899,892	2,179,957
Federal sources	180,871	153,798
Total	<u>\$ 3,819,848</u>	<u>4,091,630</u>
Expenditures:		
Instruction:		
Regular instruction	\$ 1,535,124	1,620,721
Special instruction	406,274	327,543
Other instruction	416,960	442,437
Support services:		
Student services	99,427	84,590
Instructional staff services	70,516	85,222
Administration services	405,059	414,319
Operation and maintenance of plant services	252,735	227,428
Transportation services	277,058	204,664
Central support services	-	2,949
Non-instructional programs	782	514
Other expenditures:		
Facilities acquisition	29,941	89,689
Long-term debt:		
Principal	46,946	46,854
Interest and other charges	31,063	33,746
AEA flowthrough	131,635	142,525
Total	<u>\$ 3,703,520</u>	<u>3,723,201</u>

See accompanying independent auditor's report.

PEAK & GERDES, LLP
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Board of Education of
Twin Cedars Community School District:

We have audited the financial statements of the Twin Cedars Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated October 8, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Twin Cedars Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved except for items II-G-03, II-H-03, II-J-03 and II-K-03.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Twin Cedars Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are in Part I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items I-A-04, I-B-04 and I-C-04 are material weaknesses. Prior year reportable conditions have not been resolved.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the Twin Cedars Community School District and other parties to whom the Twin Cedars Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Twin Cedars Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Peak & Gerdes, LLP
Certified Public Accountants

October 8, 2004

TWIN CEDARS COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year ended June 30, 2004

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

I-A-04 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are sometimes all done by the same person.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will consider this.

Conclusion – Response acknowledged. The District could segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

I-B-04 Athletic Events – Admission tickets were issued for athletic events. However, instances were noted where the form to document the reconciliation of tickets issued with money collected was not properly completed.

Recommendation – The District should issue prenumbered admission tickets for all athletic events. The District should then document the reconciliation of the dollar value of prenumbered admission tickets issued to the dollar amount of cash deposited to the bank account.

Response – We will improve on this documentation in the future.

Conclusion – Response accepted.

I-C-04 Activity Fund Receipts – During our testing, we noted that General Fund and Nutrition Fund receipts were not always timely deposited to the bank.

Recommendation – Receipts should be deposited more timely, preferably daily.

Response – We will work on more timely deposits.

Conclusion – Response accepted.

TWIN CEDARS COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year ended June 30, 2004

I-D-04 Fixed Assets – Fixed assets were not periodically counted and reconciled to the fixed asset listing by an independent person. Also, a perpetual record of fixed assets is not kept. Generally accepted accounting principles require an accurate fixed asset listing be maintained.

Recommendation – To provide additional control over the proper recording of fixed assets, fixed assets should be periodically counted and reconciled to the fixed asset listing by a person who does not have custody of the fixed assets. Also, a perpetual fixed asset listing should be kept.

Response – We will review this situation.

Conclusion – Response accepted.

TWIN CEDARS COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year ended June 30, 2004

Part II: Other Findings Related to Statutory Reporting

- II-A-04 Official Depositories – Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2004.
- II-B-04 Certified Budget – Disbursements for the year ended June 30, 2004, did not exceed the amounts budgeted.
- II-C-04 Questionable Disbursements – No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-D-04 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-E-04 Business Transactions – No business transactions between the District and District officials or employees were noted.
- II-F-04 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-G-04 Board Minutes – Instances were noted where invoices and board minutes were not published in the newspaper, as required by Chapters 279.29, 279.30, 279.35, and 279.36 of the Code of Iowa. In addition, some instances were noted where invoices were not approved by District officials prior to Board approval. Also, annual employee wages were not published in the newspaper, as required by the Code of Iowa. Some board minutes were not signed by the Board President and Board Secretary.

Recommendation – The District implement procedures to ensure all invoices, board minutes, and annual employee wages are published in the newspaper as required by the Code of Iowa. In addition, all invoices should be approved by District officials prior to Board approval. Also, all board minutes should be signed by the Board President and Board Secretary.

Response – The above recommendations will be implemented in the future.

Conclusion – Response accepted.

TWIN CEDARS COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year ended June 30, 2004

II-H-04 Certified Enrollment – The number of students reported to the Iowa Department of Education on line 7 of the Certified Enrollment Certification Form for September 2003 was overstated by 4 students. These 4 students were Twin Cedars Community School District residents who attended school in other Districts. The 4 students appear to be properly counted by Twin Cedars Community School District. However, the receiving Districts did not bill Twin Cedars Community School District for these students. Based on our discussion with the Department of Education, this situation must be reported to them by the auditor.

Recommendation – The District should contact the Department of Education and the Department of Management to resolve this matter.

Response – We will contact the Iowa Department of Education and the Department of Management.

Conclusion – Response accepted.

II-I-04 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Districts investment policy were noted.

II-J-04 Certified Annual Report – The Certified Annual Report was not filed timely with the Department of Education.

Recommendation – In the future, the District should file the Certified Annual Report with the Department of Education on a timely basis.

Response – We will implement this recommendation.

Conclusion – Response accepted.

II-K-04 IRS Form 1099-Misc – We noted one instance in which the District failed to file an IRS 1099-Misc. form.

Recommendation – The District implement procedures to ensure all IRS 1099-Misc. forms are filed in the future.

Response – We will implement this recommendation.

Conclusion – Response accepted.

II-L-04 Disbursements – For invoices paid prior to the Board meeting, the District's board policy requires approval by the Board President prior to payment. However, we noted that this approval is not documented.

Recommendation – The Board President should approve all bills paid prior to the Board meeting, and this approval should be documented.

Response – We will review this area and take action as necessary.

Conclusion – Response accepted.